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IDENTIFIERS *Program for Acquiring Competence Entrepreneurship

ABSTRACT

This instructor guide for a unit on small business in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 2 of learning--planning for a business in one's future. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The student module includes the following: specific objectives, questions supporting the objectives, complete content in the form of answers to the questions, case studies, individual activities, group activities, discussion questions, assessment questions, and list of eight references. Model assessment responses are provided in the instructor materials. These six objectives are addressed: describe the role of small business in a free enterprise system; analyze the effects of supply, demand, profit, and competition on small business; identify factors that contribute to the success of a small business; describe the process of starting a small business; discuss the common reasons for small business failure; and recognize the opportunities for small business in the global marketplace. (YLB)

INSTRUCTOR GUIDE

Unit 2

The Nature of Small Business

Level 2

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outline provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

Objectives:

- Describe the role of small business in a free enterprise system.
- Analyze the effects of supply, demand, profit, and competition on small business.
- Identify factors that contribute to the success of a small business.
- Describe the process of starting a small business.
- Discuss the common reasons for small business failure.
- Recognize the opportunities for small business in the global marketplace.

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TO THE EDUCATIONAL RESOURCES
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UNIT 2
LEVEL 2

Nature of
Small Business

Your Potential
as an
Entrepreneur

Help for
the
Entrepreneur

Legal
Issues

Record
Keeping

Types of
Ownership

Business
Management

Financial
Analysis

Marketing
Analysis

Human
Resources

Customer
Credit

Location

Promotion

Risk
Management

Pricing
Strategy

Selling

Operations

The
Business Plan

Financing
the Business

PACE
THIRD EDITION

Program for Acquiring
Competence in
Entrepreneurship

CENTER ON EDUCATION
AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 302-02

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CERIC

Objectives

Teaching Suggestions

1. DESCRIBE THE ROLE OF SMALL BUSINESS IN A FREE ENTERPRISE SYSTEM

What is the role of small business in a free enterprise system?

First introduce the concept of small business as defined by the Small Business Administration. Next, hold open class discussions on the importance of small business in the history of the U.S. and on creating wealth in our society.

2. ANALYZE THE EFFECTS OF SUPPLY, DEMAND, PROFIT, AND COMPETITION ON SMALL BUSINESS

How does the law of supply and demand affect small business?

Here is the place where the instructor should introduce two fundamental concepts of economics. Use a simplified approach to define supply and demand by giving examples. Then, use a chalkboard to draw the supply and demand curve. Carefully explain to students why demand and supply curves are downward and upward sloping, respectively. Derive from the graphs the concepts of market equilibrium, general income level, and consumer preference.

How do shifts in supply and demand affect small businesses?

The instructor could use simple examples along with right and left shifts of demand and supply curves on a graph. This should help students graphically understand the concepts of competition, and supply and demand dynamics.

How does the profit motive encourage the entrepreneur?

Simply state that profit is the main objective pursued by most entrepreneurs. Ask students to offer examples of gaining profits unethically.

How does competition affect small business and consumers?

Use a chalkboard or an overhead to outline the effects of competition on small business and consumers.

3. IDENTIFY FACTORS THAT CONTRIBUTE TO THE SUCCESS OF A SMALL BUSINESS

What are the major factors that contribute to the success of a small business?

Invite a local entrepreneur to share experiences as they relate to the success of his/her business.

Objectives

Teaching Suggestions

4. DESCRIBE THE PROCESS OF STARTING A SMALL BUSINESS

What is the process for starting a new business?

Create a situation in which one of the class members is to open a small business. Coordinate an open class discussion on what steps the student entrepreneur should take to become successful in the marketplace.

5. DISCUSS THE COMMON REASONS FOR SMALL BUSINESS FAILURE

What are some common causes of small business failure?

Use the previous suggestion to highlight potential sources of small business failure.

6. RECOGNIZE THE OPPORTUNITIES FOR SMALL BUSINESS IN THE GLOBAL MARKETPLACE

What are the opportunities for small business in the global marketplace?

The instructor should acquaint students with the concepts of international trade, global village, trade associations, and other notions used in the text.

MODEL ASSESSMENT RESPONSES

1. Small business is the backbone of the free enterprise system. Small business is the main source of goods and jobs in a variety of industries. In the United States, small businesses are the leaders in productivity, job creation, and product and service innovation.
2. A free enterprise system is governed by the law of supply and demand, profit motive, and free competition. Supply is the amount of products suppliers will offer at a certain price at a certain point in time. Demand is the amount of products consumers will be willing to buy at a certain price and given time.
3. Factors that contribute to the success of small business are: (1) competence of the entrepreneur, (2) visibility of the product or service on the marketplace, (3) quality of management, (4) availability of capital, and (5) proper goal setting and planning.
4. Four critical reasons for business failure are poor management, faulty planning, and improper financing. Often times a business can fail because these factors combine to work beyond the control of the entrepreneur.

PACE

THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.

Level 2 — Planning for a business in your future.

Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
(614) 292-4353, (800) 848-4815.

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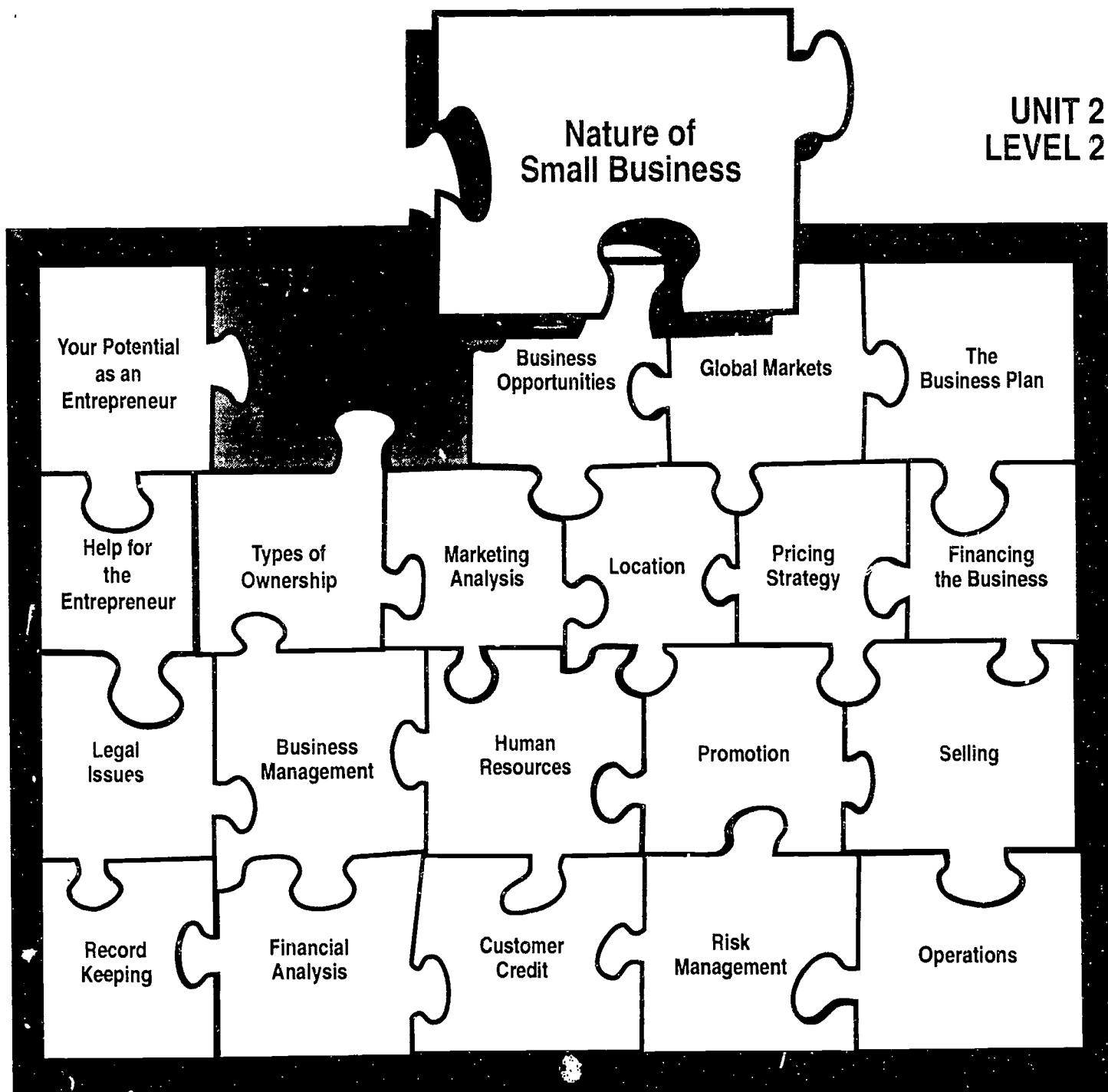
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**UNIT 2
LEVEL 2**



PACE
THIRD EDITION

**Program for Acquiring
Competence in
Entrepreneurship**



**CENTER ON EDUCATION
AND TRAINING FOR EMPLOYMENT**
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

THE NATURE OF SMALL BUSINESS

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.
2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.
3. These objectives were met in Level 1:
 - Discuss the role of small business in a free enterprise system.
 - Define competition, supply, demand, and profit.
 - Explain the importance of small business in the world and American economies.
 - Identify major factors that contribute to small business success.
 - Discuss the major types of business.
4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

Business consultants
Global Village
Market equilibrium
Market research
Profit motive

THE NATURE OF SMALL BUSINESS

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- describe the role of small business in a free enterprise system,
- analyze the effects of supply, demand, profit, and competition on small business,
- identify factors that contribute to the success of a small business,
- describe the process of starting a small business,
- discuss the common reasons for small business failure, and
- recognize the opportunities for small business in the global marketplace.

WHAT IS THIS UNIT ABOUT?

During most of the postwar era (1940-60), the well-being of the U.S. economy seemed to depend on the health of large companies. In the late 70s, and early 80s when some of the larger companies found themselves battered by foreign competition, the economy as a whole felt shaky. But in the 80s, and the start of the 90s, the situation changed dramatically and quickly. New small companies flooded the market with everything from computers to clothing. Although the total

amount of contribution of small business to the economy is sometimes disputed, the importance of small business to the economy is not.

This unit will discuss the role of small business, the concepts of supply and demand and the attributes necessary to succeed. Also discussed are some common reasons for business failure as well as the opportunities in the global marketplace.

WHAT IS THE ROLE OF SMALL BUSINESS IN A FREE ENTERPRISE SYSTEM?

There is no generally accepted definition of a small business. The Small Business Administration defines small business as those businesses having either under 500 employees if a manufacturing firm, or under 100 employees if a retail firm. For our purposes it might be helpful to think of firms with just a few employees, that is less than 20. Another way to define small business is to see it as the part of our economic system characterized by individual *enterprise*, or the willingness to take some risk.

The history of small business in America is the history of its founders, its investors, and the rise of its great industrialists in the 19th century. It is the history of great strides towards creating equal opportunities for sharing wealth, once only accessible to the rulers of the land.

Today's small businesses are the key to the multitude of jobs and goods that characterize our economy. Small businesses provide the environment for, and the opportunity to, form other small enterprises. In turn, these new enterprises are the basis for most of the new wealth in our economy. They offer each American the opportunity not only to "do it my way," but also to achieve wealth equal to that of the greatest landowners and industrialists.

In North America, the shift from manufacturing to information/service-oriented industries has promoted an entrepreneurial

economy in which small businesses have taken the leadership. From 1980 to 1988, the number of non-farm businesses rose from 13 to 19 million. Only 7,000 of these businesses qualified for large businesses, whereas the remaining fell into the small business category.

In 1991, the Small Business Administration report stated that of the 5,296,174 establishments reported in the Small Business database, 83.3 percent had fewer than 20 employees. This database covers approximately 93 percent of full-time business activities. Also, small business gives two out of three American workers their first jobs, thus making a significant contribution to the education and training of our work force.

Small businesses provide a considerable variety of products and services. They are major employers in agriculture (81.4 percent), construction (86.7 percent), wholesale trade (69.7 percent) of a retail trade, (57.3 percent). These same industries get the largest share of sales in small business.

In the United States, small businesses lead the way in productivity and job creation. Small firms dominate employment and sales in wholesale and retail trade, agricultural services, forestry, and construction. Small business owners are the major employers of the young, the elderly, veterans, and women.

Also, small firms are efficient producers of innovative products, services, and industrial processes. Independent small business entrepreneurs have been responsible for more than two thirds of all the products and service innovations developed in the United States since World War II.

Women entrepreneurs are the fastest growing segment of the Nation's small business population. Between 1980 and 1990, the women-owned sole proprietorships increased by 62.5 percent, compared to a 41.8 percent increase in total sole proprietorships. From 1980 to 1985, the number of women-owned businesses increased by 47.4 percent, compared to 31 percent for businesses owned by men.

It is important to see how small business fits into the free enterprise system. If you take away all the businesses in your community that employ less than 20 people, what would be left? There would be no beauty parlors, gas stations, dress shops, or auto dealers. The list goes on and on. Even companies like Apple Computer, Ben and Jerry's, and Wendy's started off with less than 20 employees. Small business in the free enterprise system is an essential ingredient.

HOW DOES THE LAW OF SUPPLY AND DEMAND AFFECT SMALL BUSINESS?

Demand refers to the quantity of a good or service that consumers are willing to purchase at a given price at a given time. The law of demand says that the quantity of a good that people will buy varies inversely with the price of the good. In other words, the lower the price the greater the quantity demanded and vice versa. For example, if a certain make and model car is priced at \$12,000, there will be a certain number of people who are willing to pay that price for that car at that time. If the price were

lowered to \$10,000 for that car more people would be willing to buy the car. If the price were raised to \$14,000 fewer people would be willing to buy the car (See Demand Curve on the following page).

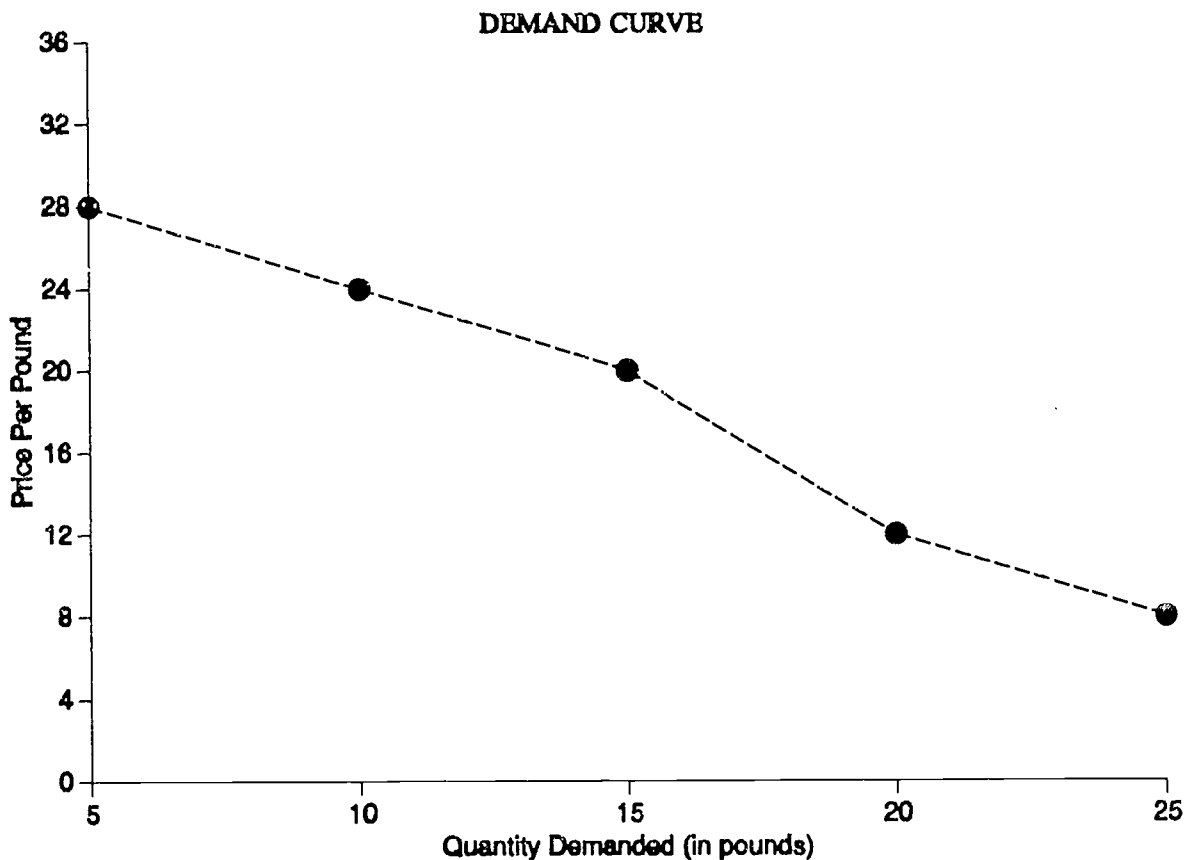
(Note: Under most circumstances the demand curve slopes downward and to the right because people are generally willing to purchase more as the price declines.)

(Note: Under most economic circumstances the supply curve slopes upward to the right, since sellers are willing to provide more of a product as its price rises.)

Market Equilibrium. In a market where buyers and sellers are allowed to interact as they please, the law of supply and demand states that the quantity of a good that buyers want and the quantity that sellers offer for sale are brought into balance at one price. This is the equilibrium price, the price where the buyers want to buy as much as the sellers want to sell (See Supply Curve on page 7).

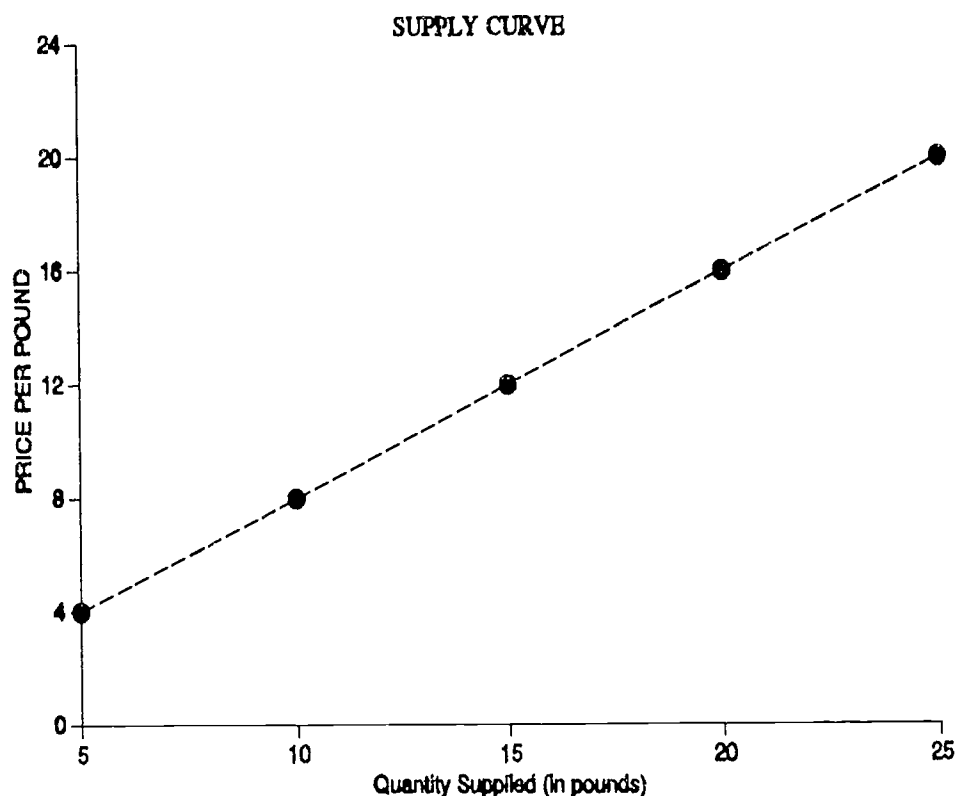
Other factors affecting demand are as follows:

- **Price of competing goods.** Apples and oranges compete as fruit, eating out and buying food to prepare at home compete for your dinner dollar, new cars and used cars compete as transportation. The relative prices of competing goods affect which one you choose to buy. For example, if the price of new cars goes up 10 percent, and used cars stay about the same, more people will buy used cars.



- **General income level.** General income level refers to the average income for consumers. As income rises relative to costs, people have more income to spend on goods and services. This increase in consumer spending is directly correlated to the production of all businesses.
- **Consumer preferences.** How much consumers need and desire a product will help determine demand for that product. If you only had enough money to buy either food or a TV, but not both, you obviously would buy food. Food is a necessity. However, most people have

enough income to not only purchase their necessities (food, clothing, shelter etc.), but also additional comfort or luxury goods and services that they desire. Products they desire most are probably also the products they are willing to pay the most for. This means demand is greater for those products customers prefer. For example, if you want a leather purse more than a vinyl purse, you will pay more for the leather—or demand is greater for the leather. Or if you see two leather purses, but one is made better and is more stylish than the other, you will pay more for the well made stylish one—again, the demand is greater.



Many other factors can also affect demand. Two of those factors are the *season of the year* and *consumer's confidence* in the economy. Certain products are seasonal. In many areas of the country, swimming pool supplies are only needed in the summer. People normally only purchase income tax services from December to April. Book bags and other school supplies sell best in late summer and early autumn when school starts. Products like these are *demanded* only at certain times of the year. This seasonal demand can affect prices. During the time when there is little demand for a product, the *off season*, prices are typically lower (Remember, the demand and supply relationship).

A second factor that affects demand for products is consumer confidence. Economic and world political events can alter people's confidence in their economic future. Economic events like high inflation, job layoffs, and government spending levels can convince people that their personal economic or financial future is in jeopardy.

When people become pessimistic in this way they tend to be more conservative in their spending. If too many people react in this way, total demand in the economy can decline substantially.

World political events can also have the same effect. Wars create uncertainty and

people respond by becoming cautious in their spending. Political unrest in an area that either supplies crucial resources to our economy, or represents a major market for our products can also dampen consumer confidence.

HOW DO SHIFTS IN SUPPLY AND DEMAND AFFECT SMALL BUSINESSES?

Small businesses can find opportunities in changing consumer demand. As changes occur in the lives of consumers—changes in wants, needs, lifestyles, and income—their demand for goods and service also changes. For example, a new demand for quick, convenient, nutritional food has created a huge market for healthy frozen dinners. Several factors have created this new demand.

Medical research has shown that many illnesses such as heart disease can be reduced by a proper diet. This knowledge has increased the demand for healthy food. Lifestyles have become much more hectic in the latter part of the 20th century. People no longer have time for traditional meals that consume a lot of time. Today many people want quick, easy to fix meals that allow them to spend more time doing other things. These two changes in lifestyle have resulted in new demands and new business opportunities.

To take advantage of such opportunities businesses must be looking for them and be ready to respond. Those companies that are able to recognize shifts in demand early, typically are best able to take advantage of the opportunity. If competitors beat you to

the market, you are often at a disadvantage to be the supplier. Besides recognizing an opportunity, you must also be able to respond. This requires expertise about the product and flexibility in acquiring resources to provide that product.

Not only changing consumer demand affects small businesses, but changing supply also affects businesses. As more businesses supply a particular good or service to meet a given level of demand, the market or sale price goes down. As prices decline, profit margins are squeezed and only those businesses which produce or provide the best quality good or service most efficiently (at the least total cost) will survive and prosper.

HOW DOES THE PROFIT MOTIVE ENCOURAGE THE ENTREPRENEUR?

Profit is a key motivator of most entrepreneurs. By owning their own businesses, entrepreneurs have unlimited potential for earning profit. How much profit they actually earn is to a large degree under their control. It is their knowledge, experience, business skills, and ambition that greatly affect their profit-making ability. There is also the potential that the entrepreneur will make little or no profit. However, entrepreneurs believe that they have ideas, knowledge, and skills that will give them a competitive advantage in the marketplace and will reward them with handsome profits.

In addition to profit providing entrepreneurs with income, profit also serves as a measure of success. Our society measures a business person's success by the amount of profit he

or she earns. It is commonly believed that those entrepreneurs who do the best job of providing goods and services will receive the most profit.

A final reason that the profit motive is important to entrepreneurs is that profits are either directly or indirectly a source of additional funds for investing in the business. Profits in excess of what the entrepreneur needs for personal compensation can be directly reinvested in the business. Current profits and the potential for future profits attract outside resources. Outside sources of investment capital are attracted to businesses with the highest profit potential. Current profits are one indicator of that potential and can indirectly result in the availability of additional investment funds for the entrepreneur.

HOW DOES COMPETITION AFFECT SMALL BUSINESS AND CONSUMERS?

Consumers benefit when businesses must compete for their dollars. A competitive marketplace ultimately results in lower prices, higher quality products, increased variety, and better service.

- **Lower prices.** As new competitors offer an additional supply to consumers, prices decline. Because consumers have several suppliers from which they can buy the product, and greater supply is chasing consumer demand, consumers can demand lower prices from a supplier who wishes to earn their business.

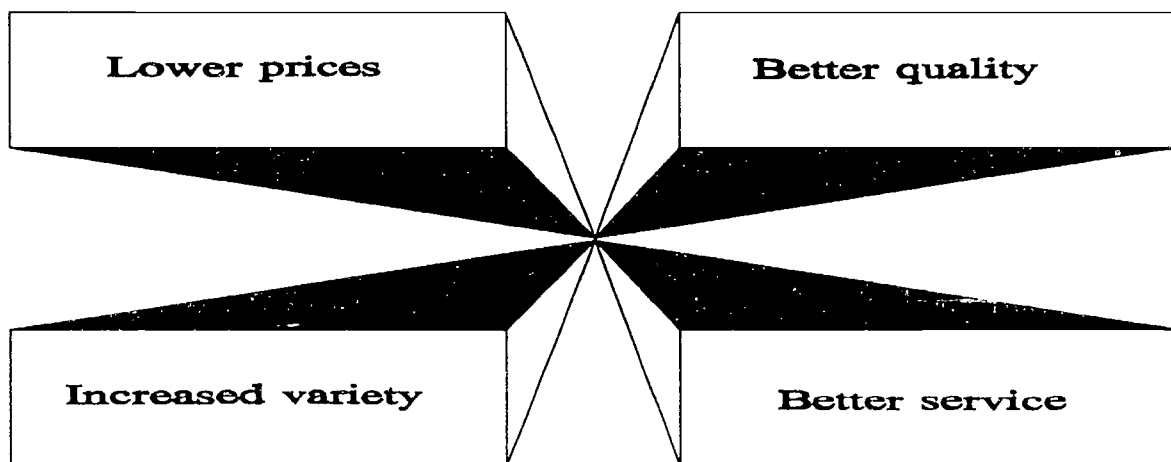
- **Better quality.** With equal prices, consumers will choose higher quality products over lower quality. Superior quality will often command a higher price than poor quality. Competitors recognize this and try to improve sales and profits by offering higher quality products.
- **Increased (greater) variety.** As suppliers compete for a share of the marketplace, they discover that not all consumers want exactly the same product. By discovering a variation of the product that some consumers desire, but is not being offered, competitors can capture, at least in the short-run, unmet demand.
- **Better service.** Another way to get consumers to buy from you, is to offer superior service. Everything else being equal, consumers will buy from the supplier who is most responsive to their needs. In fact, many consumers are willing to pay a premium for better service. Many businesses today are recognizing the competitive advantage that superior service gives them, and are working to offer it to consumers.

Intense competition is common in almost all markets today. Businesses, large and small, must compete with other firms intent upon winning the consumer's business. This competition affects businesses in several ways.

- **Potentially lowers profits.** As more firms enter a particular market, more and more goods and services are competing for a certain amount of consumer demand for those products. To entice

consumers to buy from them instead of a competitor, businesses are willing to lower their prices. Often times when a business lowers prices, they do not earn enough profit to compensate for the losses due to the lower prices. As a result, as competition increases, firms may well experience a decline in profits.

duce the good or service efficiently are eventually forced to leave the marketplace. As firms become more efficient, they are able to lower their costs and capture a bigger share of the market. Those firms that are inefficient and unable to match the price reductions will lose market-share and go out of business.



- **Forces efficiency.** As profits are squeezed by lower prices, businesses search for ways to cut costs of providing the good or service. By lowering their costs of doing business, firms can increase their profits. As competition becomes intense, firms must become more efficient in providing the product in order to earn adequate profits to remain in business.
- **Eliminates inefficient producers/suppliers.** Those businesses that cannot pro-
- **Market awareness.** Besides making firms be efficient producers, competition also forces businesses to be alert to changes in the marketplace. The needs and desires of consumers are constantly changing. Businesses discover that another way for them to compete is to be attentive to changing consumer needs and to quickly respond to those needs. Those firms that are first to discover new needs and to respond with a product or service to satisfy that need, typically gain market share and increase their profits.

WHAT ARE THE MAJOR FACTORS THAT CONTRIBUTE TO THE SUCCESS OF A SMALL BUSINESS?

The major factors that affect the success of small businesses are both internal and external. The most important of them are as follows:

- Competence of the entrepreneur
- Viability of the product or service in the marketplace
- Availability of capital
- Management of the business
- Proper goal setting and planning

Misjudging any one of them could mean failure. However, if the entrepreneur is competent, he/she will adjust their business strategy to strengthen the weak areas.

WHAT IS THE PROCESS FOR STARTING A NEW BUSINESS?

Starting your own small business can occur as an unexpected result of some activities you are performing right now. For example, many childcare centers begin informally when a person with a great reputation for

babysitting ends up with more children than fit in the living room on a rainy day. Many business consultants drift into a pattern of "consulting" because they work on corporate ideas and management for their own company. Great restaurants and commercial food products have been started by good cooks whose friends asked them to "bring the baked beans—you know, your special recipe." Other businesses develop as a reaction to specific customer demands.

If you want to plan a small business in a more formal manner, the process is really fairly simple. There are six areas of planning:

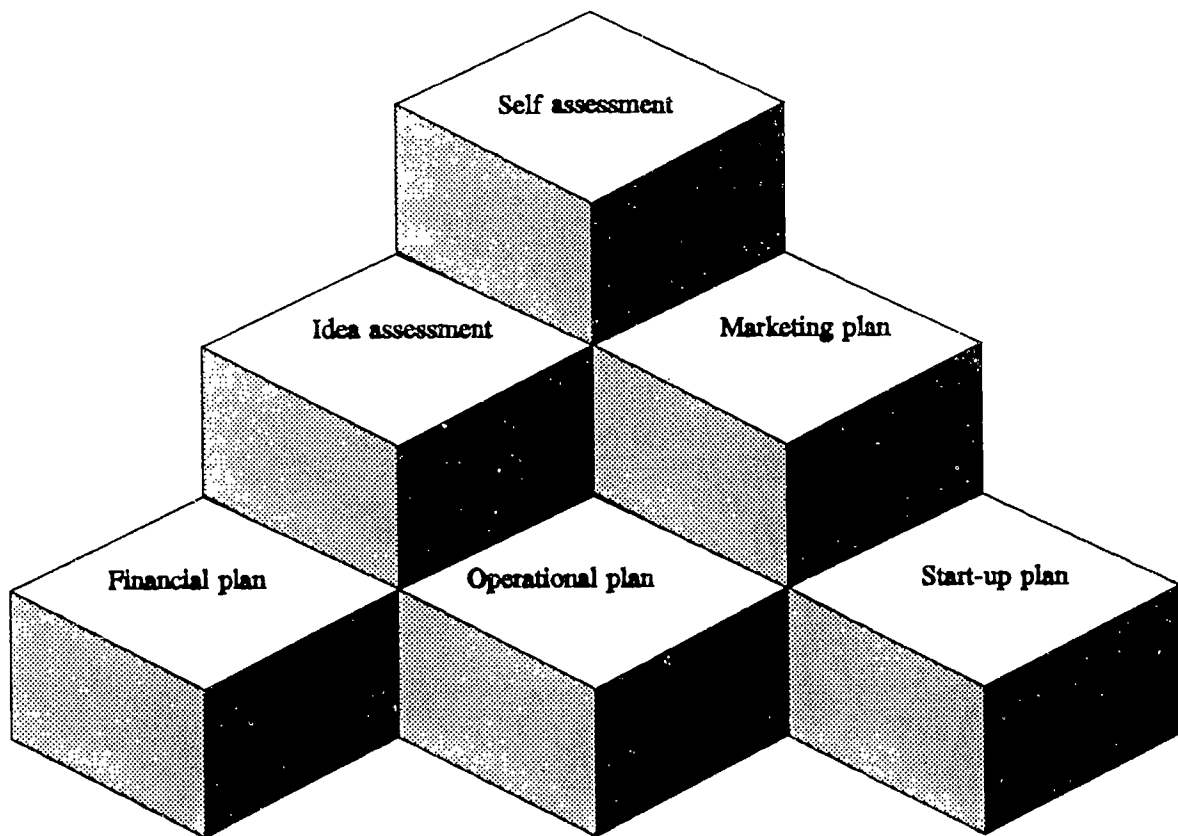
1. Self-assessment. The first step in planning a business is to do a self-assessment. In order to choose a business that fits your abilities and needs (or to determine whether you should even become an entrepreneur), you must first determine what your special skills, knowledge, experience, and needs are. Many tools exist for conducting a self-assessment, and several can probably be found in your local bookstore. The outcome of any self-assessment needs to be an accurate indicator of your abilities, motivators, and/or needs.
2. Idea-assessment. Whereas it is important to be creative when brainstorming for new business ideas, it is equally important to examine a business idea carefully before committing time and money to it. The purpose of assessing a business idea is to determine as much as possible whether or not it is a viable idea. In determining the potential of an idea, you should consider how attractive the offer will be to the marketplace, the opera-

tional requirements to deliver the product, and what will be the financial requirements for a business that operates that way.

3. Marketing plan. A marketing plan will help you assess the needs of the marketplace and determine how you can develop an offer that meets those needs. A market analysis will help you assess your idea by determining what consumer needs are going unmet and how your offer might meet those needs. After analyzing the market you can then consider specifically how you will price, promote, sell, and deliver your product.

4. Financial plan. By developing a sound financial plan you can eliminate most of the surprises that often arise when opening a business. Not understanding the cost of opening and operating your business, and not understanding both the level and timing of sales revenues, can often sink a new business.

5. Operational plan. Putting together an operations plan helps you determine the nuts and bolts of how the business will operate. What facilities and equipment are needed? What will be the processes used in manufacturing and delivering the good or service? What human resources



are needed? Considering these kinds of questions will help you establish how you will actually create a marketable output.

6. Start-up plan. When you open the doors of your business on day one, what people, equipment, and money will be needed and how will you manage these resources? A start-up plan basically takes the outcomes of the previous five assessments and puts them together in a plan for launching a business.

Finally, planning requires entrepreneurs to anticipate:

- the potential market for their venture,
- the potential costs of meeting the demands of that market,
- the potential pitfalls in organizing the operations of the venture, and
- the early signals they will use to alert them of progress or setbacks.

WHAT ARE SOME COMMON CAUSES OF SMALL BUSINESS FAILURE?

According to the corporate entrepreneur, Lee Iacocca, "There are times in everyone's life when something constructive is born out of adversity. There are times when things seem so bad that you have got to grab your fate by the shoulders and shake it."

No matter what area your business is in—manufacturing, wholesaling, retailing, services, transportation, construction, agricultural or financial services—there is always a chance of failure. Remember that some of the reasons for failure (such as sluggish economy, recession, or high interest rates) are "external" reasons that you can plan for but can't always control. If you look at some of the "internal" reasons for failure, however, there are some factors you *can* directly control. A review of industry studies shows that the number one cause of business failure is mismanagement by the entrepreneur. Most studies of this subject identify the following specific reasons why small businesses fail:

1. Poor management
2. Improper or insufficient financing
3. Faulty planning

The "economic factors" most often cited relate to the strength and effect of the local and national economy on their businesses. Remember, these causes are from the perspective of the business owner and the economy makes a good punching bag for failed businesses. Most often, a combination of factors, often beyond the control of the entrepreneur, will contribute to a business closing its doors.

WHAT ARE THE OPPORTUNITIES FOR SMALL BUSINESS IN THE GLOBAL MARKETPLACE?

The buying (importing) and selling (exporting) of goods and services between nations is called *international trade*. It is now com-

monly thought that with the increase in the interdependence among nations we truly compete in a *world economy*, or as it is also known, a *global village*. The opportunities for small business in the global marketplace are great. The United States represents only 25 percent of the total world GDP (Gross Domestic Product). This leaves a vast marketplace open to U.S. small business. Because of the complexities, international trade should be approached cautiously and with the understanding that there is much to learn.

As with all ventures, there is risk in dealing in *international trade*. But, that risk can be minimized by expanding personal knowledge and securing sound advice. Should you decide to explore the potential of your product or service for export you will want to contact your regional office of the Department of Commerce. The department, which em-

loys *international trade specialists*, is responsible for directing a worldwide search for data pertinent to exporters. In addition to the government-supplied data, information may also be gathered through:

- trade associations,
- banks,
- world trade clubs (found in most major cities, and
- state international trade offices.

Exporting is not that popular with U.S. companies. There are many barriers that present challenges to those willing to try. As of 1990, of the 300,000 manufacturing companies in the United States, fewer than 1 percent do all the exporting. Selling to the global market requires a sense of adventure, a trait often exhibited by entrepreneurs.



ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Create a list of at least five contemporary examples of how the concept of *supply and demand* has affected small businesses. Think about trends or products that have achieved attention in the "pop" culture as you create your list. For example, as the World Series nears each year, an abundance of "official" World Series T-shirt vendors can be found.

B.

Using your local or school library as a source of information, write a 1-2 page report on one of the following topics:

- Free Enterprise System
- Market research
- Global marketplace

GROUP ACTIVITIES

A.

Work in teams of four to six. Each team designates a recorder to take notes about the

discussion. Each team creates a list of skills that contribute to the success of small businesses. For each reason, state whether the team believes these skills are *natural*, *learned*, or a *combination* of each. How can these skills be learned or improved upon.

B.

Work in teams of four to six. Each team designates a recorder to take notes about the discussion. Each team creates a list of factors that contribute to the failure of small businesses. Using this list, each team develops a list of ways to avoid or compensate for these failures. When the teams have finished compiling their lists, the class rejoins for reports from each team and a general discussion about similarities and differences in each team's list.

C.

Work in teams of four to six. The goal of this activity is to make you more aware of the factors that contribute to the success of a small business. Each team appoints a team facilitator (leader) and a recorder to take discussion notes. Each team member contacts six local small business owners either by letter, phone, or preferably in person.

Clearly explain to each business owner the purpose of your inquiry. As a team decide what questions would be appropriate to ask. State your questions in order to ascertain what factors have contributed to *their* personal business success. Take notes but be sure to get permission before you *record* any conversations.

CASE STUDY

When he came to the United States with his wife and two-year-old daughter, George Spiros was twenty-three. His father had owned a bakery store chain in Athens where George learned to bake traditional Greek pastry and developed some knowledge about bakery store operations. With his personal savings and \$5,000 borrowed from the Greek Free Loan Association, he was able to open the Olympic Bakery in a large suburb of Chicago.

George started with only ten pastry items and focused his efforts on promoting the popular baklava. Regular customers of Olympic Bakery say George Spiros bakes baklava that "melts in your mouth." Six months later, George realized his profits

and recovered his investments which enabled him to repay the loan. Today, George has been in the same Washington Avenue location for fifteen years. He, his wife and his small staff of three have to work long hours to keep up with the demand for the baklava alone.

George has expressed his philosophy as follows: "I am a person who looks to get things done the right way. Give the customers what they like and they will come back and bring their family and friends." This year, he plans on opening two more stores in downtown Chicago. George has a dream that, through the magic of modern quick-freeze technology and express mail, he will be able to market his products worldwide.

DISCUSSION QUESTIONS

1. From what you know of the *free enterprise system* is George's dream realistic?
2. As an entrepreneur, what things will George need to anticipate during planning?
3. Discuss the advantages and barriers to George exploring the global marketplace.

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What is the role of small business in the free enterprise system?
2. Explain the concepts of supply and demand in a free enterprise system.
3. What are the factors that contribute to the success of a small business?
4. List the three main reasons for small business failure.

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PACE

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Units on the above entrepreneurship topics are available at the following levels:

- * Level 1 helps you understand the creation and operation of a business
- * Level 2 prepares you to plan for a business in your future
- * Level 3 guides you in starting and managing your own business